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GOLF INDUSTRY REPORT

The Future of Public Golf in America

EARLIER THIS YEAR, NGF conducted an in-depth study of the financial health of the nation's public golf course operations. The study was a follow-up to a similar one done in 2008 regarding private club operations.

We surveyed over 1,100 public golf course operators nationwide. Responding courses were highly representative of all courses in terms of geography, price point, age and type (daily fee vs. municipal). We also surveyed 42,000 Americans (golfers and non-golfers) regarding attitudes and perceptions of public golf.

Next we surveyed 1,000 adult Core golfers (those playing eight or more rounds a year) in order to gather additional insight. Finally, we analyzed current and historical NGF facility databases.

Full results of the public study will be distributed to members in the near future. Following are the key points from the study:

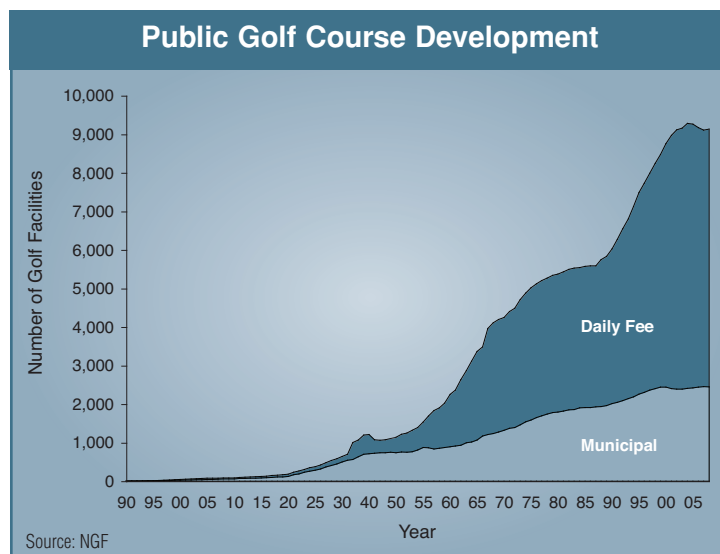
1 SINCE THE MID-1990S, THERE HAS BEEN A GROWING IMBALANCE BETWEEN SUPPLY AND DEMAND. The number of golfers is up 16% since 1990 while the number of golf facilities is up 24%. The result is the dilution of demand across the supply of golf facilities. Rounds of golf per 18 holes are down about 20% over the same period – almost 8,000 rounds per 18-hole course. These 8,000 rounds make a big difference to golf course operators today.

2 10% - 15% OF PUBLIC COURSES ARE "AT RISK." This extends to about 1,500 courses. Only about half of course operators report that they are doing well. Nearly 90% of at-risk courses are experiencing operating losses. They have been particularly hard-hit by demand

dilution (rounds are off 30%-35% from peak and revenue is off 10%-25%). Many of these courses may be trapped in a downward spiral – 60% report they have lowered their maintenance standards, and almost 90% are deferring capital expenditures.

3 100-200 COURSES PER YEAR WILL CLOSE. Our best estimate is that 5% to 10% of the 1,500 courses in trouble will close *per year* until supply and demand reach equilibrium. And, there could be even more closures if the economy, golfer confidence and rounds played don't begin to improve.

(Continued on page 3)



Root of the problem - the 1990s golf course development boom.

NGF NEWS BRIEFS

VOICE-OF-CUSTOMER "GURU" REACHES 5,000 BLOG VIEWS

NGF's golf facility research and consulting sales manager, Ben Fowler, started a Web log in April 2009. Since that time he has made about 20 blog entries with provocative headlines such as "How to Lose 3,000 Customers in Two Minutes" (a look at the "United Breaks Guitars" fiasco) and "I Hate My Customers and I Don't Care

What They Think" (a cautionary tale for facility operators). To read Ben's blog, visit www.voiceofcustomerguru.wordpress.com.

NGF DIRECTOR OF CONSULTING, RICHARD SINGER, (THE "GOLF OPERATIONS GURU")

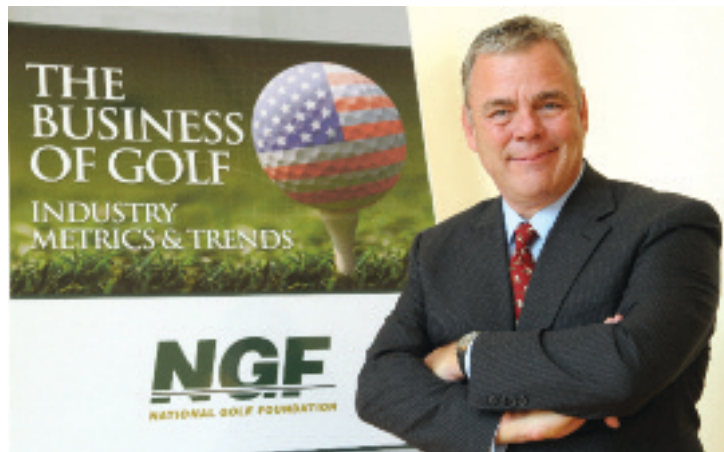
has recently begun his own blog. Visit www.golfoperationsguru.wordpress.com for more information.



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The Times They Are A-Changin’

A message from the President



JOE BEDITZ, President

AS YOU LOOK THROUGH this issue of *Golf Industry Report*, you’ll find several different subjects: public golf, Web 2.0, consumer confidence, golf course development and rounds played. But if there is one theme that ties them all together, it is “change.”

Like Bob Dylan’s 1964 anthem, *The Times They Are A-Changin’*, we have certainly seen a lot of changes in the golf industry in this first decade of the 21st century: supply has continued to outpace demand; rounds per course are down; the customer drives pricing like never before; the Internet is becoming an even more powerful sales and marketing force; and those whose businesses are tied to golf course development are scrambling to find work.

Change means different things to different people, depending on whether they are fearful, hopeful or confident (see enlarged quotation on this page). Course operators need to manage their service levels to compete and be profitable in an oversupplied market. Equipment manufacturers have to figure out new ways to inspire consumer purchases—by innovating with new products and new communication strategies. Architects and builders need to help existing courses cost-effectively renovate, while also actively seeking assignments outside of the U.S. where most new facility development will occur during the next decade. Golf media organizations are being challenged to reconsider how they generate, distribute and charge for content and advertising.

In other words, as the song says: “...you better start swimmin’ or

you’ll sink like a stone, for the times they are a-changin’.”

Looking inside a company I know well — the NGF — the changes I have seen are dramatic. Our own business model has changed in a big way. Demand for some of our evergreen offerings has dried up, and new products and services have been created to replace them. We now have regular bloggers on staff who are reaching out to our consulting customers and members in a new way. Virtually all of our research is being conducted via the Internet, and now we even do much of our focus group research online, something I never imagined when I started here at NGF. Our publications have gone from 90/10 print vs. electronic to just the opposite. Our “cheese has moved” (remember that book?) and it will continue to move. We know we must respond if we’re going to continue helping golf-related businesses for another 73 years.

Much of the news coming out of the golf industry over the past two years has been negative – people losing their jobs, golf course closings and foreclosures, all in a backdrop of stagnant rounds and participation. It’s difficult to remain positive in this environment. That’s OK, it’s understandable if you aren’t happy. But you must accept and adapt to survive this “great recession” and live to fight another day.

Golf isn’t going away. It is still a very big business and actually holding up remarkably well compared to other industries ... just as it has in previous recessions.

So let’s all accept the “new normal,” recalibrate our expectations and get on with finding our cheese.

Joe Beditz

Change has a considerable psychological impact on the human mind. To the fearful it is threatening because it means that things may get worse. To the hopeful it is encouraging because things may get better. To the confident it is inspiring because the challenge exists to make things better.

~ KING WHITNEY, JR. ~

The Future of Public Golf in America (continued)

SUCCESSFUL FACILITIES SHOW A HIGHER DEGREE OF GOOD MANAGEMENT BEHAVIORS, including focus on customer service, strategic planning, player development, customer surveys, seeking new revenue sources and focus on improving the golf experience (e.g., pace of play). And, they are less likely to engage in negative behaviors, such as cutting maintenance standards, delaying improvements and indiscriminant discounting.

TWO OUT OF THREE CORE GOLFERS REMAIN QUITE PASSIONATE ABOUT GOLF. Only 10% of Core golfers appear to be disenchanted with the game. Even one in four Occasional golfers (3.1 million players) are passionate. Therefore, we believe demand is stable.

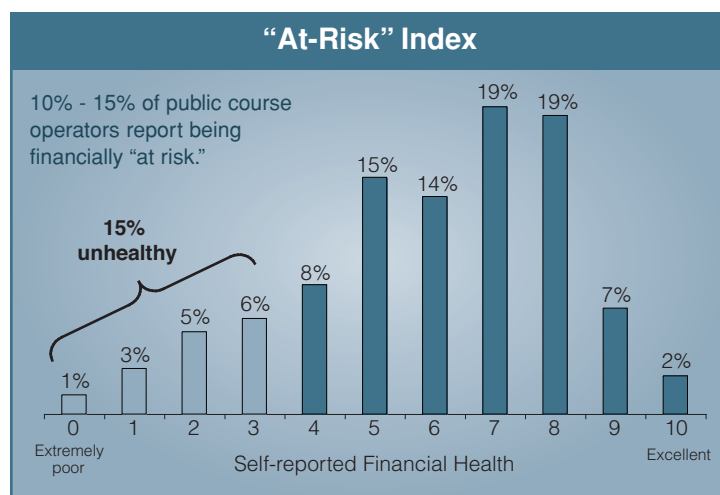
LATENT DEMAND EXISTS. We estimate there are about 26 million Americans who are quite interested in playing golf right now, including 17 million who have never played golf and nine million who have had some previous exposure. Last year, four million people acted on that interest (15% of the latent demand pool).

Summary

- There is plenty of available public golf.
- This is good for golfers, but bad for facility operators (dilution has cut their rounds about 20% over the past two decades).
- Oversupply has affected almost every facility – but 15% very seriously.
- 500-1,000 public courses are likely to close within the next five years which may help rebalance supply and demand.
- Well-managed courses in populated areas are the most likely to thrive.
- Existing demand is stable.
- Latent demand exists.
- As with past recessions, golf demand should not suffer very much during the current economic slowdown.

Conclusions

- A large drop in demand is unlikely (short or long term).
- But, a large increase is also unlikely.
- So, the overall supply/demand imbalance is likely to continue (with market exceptions).



- Therefore, operator difficulties are not transient, but semi-permanent.

Implications

- Conditions are favorable for player development.
- Given the predicted number of closures over the next five years, 10-20 million rounds should be added to the balance 1,000-2,000 rounds per facility).
- Operators will have to continue to fight for market share (and increased wallet share is the best bet).

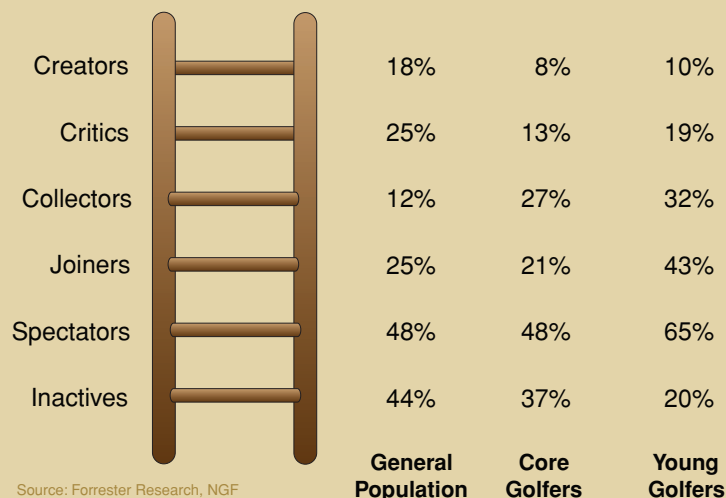


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Web 2.0 and the Golf Industry

CONSUMERS ARE INCREASINGLY MIGRATING to Web 2.0 applications (user-generated content, social networks, blogs, etc.) and marketers in almost every business have shifted strategies to keep up with changing consumer habits. However, when it comes to social media, many golf businesses have come late to the party.

In order to address this emerging communication medium, we invited two experts in the field to speak at our April golf business symposium in Chicago – Dan Neely, founder and CEO of Networked Insights, and Jon Hickey, senior vice president and managing director of Allen & Gerritsen Sports & Entertainment.



- Publish blogs/Web pages, upload video/audio/music, post articles/stories
- Post ratings/reviews of products or services, comment on blogs, contribute to forums/wikis
- Use RSS feeds, add tags to Web pages/photos, “vote” for Web sites
- Maintain profile or visit social networking service
- Read blogs, watch video, listen to podcasts, read forums, read ratings/reviews
- None of the above

PEOPLE FORM A CONTINUUM in the Web 2.0 space, from “inactives” to “creators” of blogs, their own Web sites, etc. Golfers are far more involved than we originally thought they would be.

It’s wrong to assume that Web 2.0 is not affecting the “old, white male” golfer. And, younger golfers are even more likely to be engaged.

Brands are becoming less and less in control of their brand perception. It’s not what you’re saying about your brand, it’s what other people are saying about your brand. Web 1.0 was just a corporate brochure. Web 1.0 was about companies; Web 2.0 is about communities and people. Web 1.0 was about advertising; Web 2.0 is about word of mouth.

~ JOE BEDITZ ~

We can’t solve problems by using the same kind of thinking we used to create them.” ~ Albert Einstein



The web was company created and is now customer controlled.



Source: Dan Neely



Conversation

	Old Way	Today's Way
Communication	Shout	Listen & Respond
Approach	Campaign	Community
Timeframes	Has an end	Continuous
Attention	Lean Forward	Lean Back

Source: Dan Neely

The Audience Grows - and so does the content

Time it takes to achieve 10 million users



Radio
40 yrs.



TV
15 yrs.



Netscape
3 yrs.



myspace
7 months

... and myspace added
100mm more users in
the next 12 months.

Source: Dan Neely

“Where your customers are, when they’re there, how to have a conversation with them, what conversation to have with them – that is what you need to know.”

~ DAN NEELY ~

For more information: www.networkedinsights.com



NEELY

Dan Neely (PARAPHRASED)

ONCE UPON A TIME, marketing executives thought MySpace wasn’t going to go anywhere – it’s just for teeny-boppers, they said. They’ve changed their tune today. The largest growth demographic for Facebook is ages 34-52.

The Web was created by companies, but ordinary people control its use. And your customers are connected like never before. Social media allows customers to have a real voice. They care about what they care about, not what your company cares about.

Your company must join the conversation. In order to do so, you have to be relevant.

To understand the full picture of social media engagement, measure not just the loudest voices (15% vocal minority – content creators), but also the silent majority (85% social voyeurs – who view, link, invite, rate).

Less than 1% of a person’s time is spent buying a product. In the real world of our customers, opinions are formed during the 99% of time outside of the purchase path.

Authenticity is key. The old way: Want someone’s attention? Shout it. The new way: Want someone’s attention? Earn their trust through authenticity.

Ask yourself: Where are my customers? What are they saying? Who are the influencers? Whom are they influencing?

Customers are your brand managers now. Community is more powerful than marketing.

If we impress our customers, they will express themselves through social media, and we should be listening to what they’re saying.

It’s not about who you know. It’s about who knows you. Just ask Susan Boyle, the singer who appeared on the TV show *Britain’s Got Talent*. Within one week, 100 million people got to know her via YouTube.

Customers are partners, and partners join together to make a difference.

Communities are more powerful than individuals. Communities want to help each other improve.

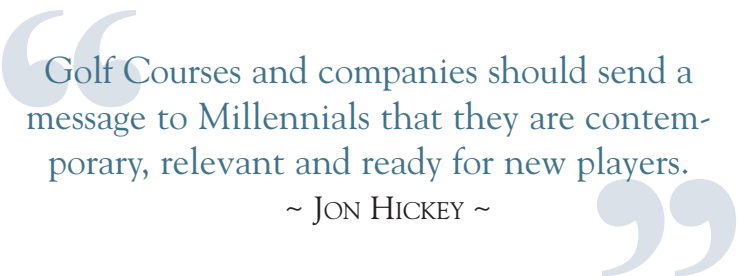
Join your customer’s conversations and become part of the solution.

Social Media in the Marketing Mix

	Social Media	TV	Direct Mail	Print	Radio	Outdoor	Digital
Awareness	●	●	●	●	●	●	●
Consideration	●	●	●	●	●	●	●
Familiarity	●	●	●	●	●	●	●
Intent	●	●	●	●	●	●	●
Purchase →	●	●	●	●	●	●	●

● STRONG ● MEDIUM ● WEAK

Source: Jon Hickey



(PARAPHRASED)

The big change is the one-to-one connection between company and customer, and customer-to-customer.

Not doing anything with social media is a risk. But so is doing too little – having a Facebook page is not a social media strategy, nor is putting your ad on YouTube.

“Social capital” is the core of social media – how many followers you have and how you interact with them. Pro golfer Stuart Cink has 20,000 Twitter followers; Ashton Kutcher has 1.2 million Twitter followers.

You can get started by activating a “medialite,” a person who is like a socialite on the Web. Get your fans to talk about your brand. Help them fix their problems and they will tell others about you.

Example #1: Ford Motor Co. wanted to give away 100 of its Fiesta model cars. They started with one person who had 5,000 friends. She influenced the creation of thousands of YouTube videos from people who wanted to get the free car in exchange for blogging about their driving experience. The videos were viewed one million times. Cost of campaign: virtually zero.

Example #2: Whole Foods built up 23,000 followers via Twitter, Facebook, Flickr and podcasts. They communicated with their fans with messages like: “Your favorite peanut butter is back in stock.”

There is a social media opportunity for the golf industry because, at present, most of a golfer's conversations are taking place in the real world, at courses, clubhouses, etc., not in the virtual world. Social media should be embedded in all golf-based outreach.

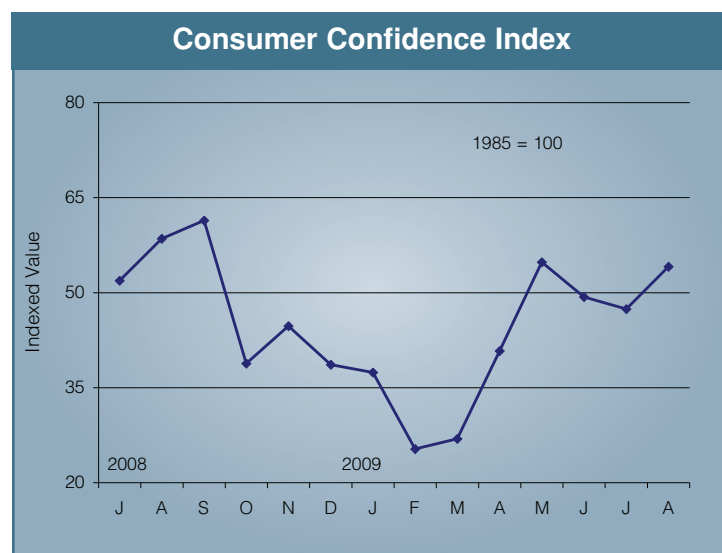
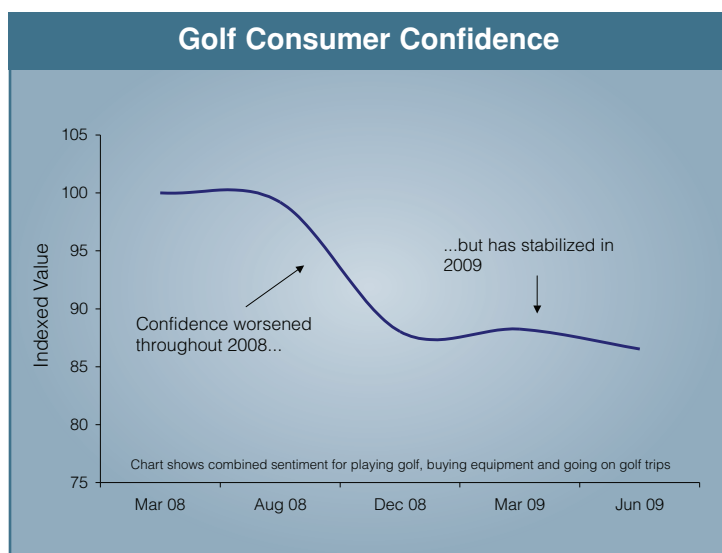
For more information: www.a-g.com



Consumer Confidence

ALTHOUGH THE CHARTS BELOW are from different sources, they are actually telling a similar story: consumer confidence fell in 2008 and has stabilized in 2009—as evidenced in measures taken by both NGF (for golfers) and The Conference Board (for general consumers).

Economists are wary of saying the “R” word (recovery) given that unemployment is up and disposable income is down. In golf, rounds are flat, which seems good given the economic situation, however equipment sales are depressed. So, while no one is celebrating yet, it appears that the worst may be behind us.





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Golf Course Development

2009 Openings

WHO WOULD HAVE THOUGHT back in 2000, when the number of golf course openings reached 400 18-hole equivalents, that the number would be one-tenth of that a decade later?

That is the new reality as only 34 18-hole courses have opened in 2009 through August. And, given the number of courses under construction and scheduled to open this year, our projection is for between 50-60 openings for 2009.

Openings year-to-date through August 31, 2009 (in 18-hole equivalents)

	New	Expansion	Total
Daily Fee	14.0	7.0	21.0
Municipal	2.5	0.5	3.0
Private	10.0	0.0	10.0
Total	26.5	7.5	34.0

Source: NGF

Without the continued use of golf as an amenity in real estate developments – although the practice has certainly declined – there would be virtually no golf course development at all. About 70% of course openings this year were built in real estate developments.

Openings occurred in 30 states, the most in Virginia with four.

What is opening?

SOME MAY BE SURPRISED that any course could be opening in the current economic environment. Nevertheless, here is a sampling of some recent openings:

Shooting Star, Jackson Hole, Wyoming

- Private non-equity real estate development, opened July 2, 2009
- Tom Fazio course built on 1,300 acres of land protected by conservation easements
- Views of three mountain ranges, including the Tetons



FRENCH LICK SPRINGS RESORT

French Lick Springs Resort, French Lick, Indiana

- Private non-equity resort, opened April 21, 2009
- Pete Dye course that joins the existing 1917 Donald Ross track plus a 9-hole “family” course

Stone Canyon Golf Club, Blue Springs, Missouri

- Private real estate development (open for public play 2009 season), opened May 15, 2009
- Greg Norman design
- According to Web site, course is an “environmental model for landfill reclamation.”

Hoakalei Country Club At Ocean Pointe, Ewa Beach (Oahu), Hawaii

- Private non-equity real estate development, opened April 15, 2009
- Ernie Els design

Wilderness Club, Eureka, Montana

- Private non-equity resort/real estate development, opened April 6, 2009
- Nick Faldo design

Victory Ranch Golf Club, Kamas, Utah

- Private equity real estate development, opened August 8, 2009
- Rees Jones design



VICTORY RANCH GOLF CLUB



2009 Closures

NGF HAS ALREADY IDENTIFIED 108 closures in 2009 through August 31. So we are destined for a fourth consecutive year where closures outnumber openings.

Keep in mind, however, the huge run-up of courses in the 1990s. Given flat demand, we can afford to close some courses.

What is closing?

CLOSURES IN 2009 are disproportionately...

- daily fee (very small number of municipal and private)
- value (twice as likely to have green fees under \$20 vs. all courses)
- stand-alone 9-hole – nearly twice as likely vs. all courses.
- newer – 45% of closures built since 1990 vs. only 27% of total courses
- short (executive/par-3) – 22% of closures vs. 9% of total

While most closures are low-end tracks, this is not always the case, as can be seen in the following selection of recent closures:

The Bluffs on Thompson Creek

- Arnold Palmer design
- Established 1988, peak fee \$85

Osprey Meadows Golf Course At Tamarack Resort, Donnelly, Idaho

- Robert Trent Jones Jr. design
- Established 2005, peak fee \$129

Nevele Grande Country Club, Ellenville, New York

- Tom Fazio design
- Established 1960, peak fee \$79

Waterwood National Resort & Country Club, Huntsville, Texas

- Pete Dye design
- Established 1975, peak fee \$65

The chart below shows 2009 closures by date of establishment. The oldest closure was 105 years old; the newest less than a year.

Oldest closure:

Lakeview Country Club & Resort, Cherryvale, Kansas

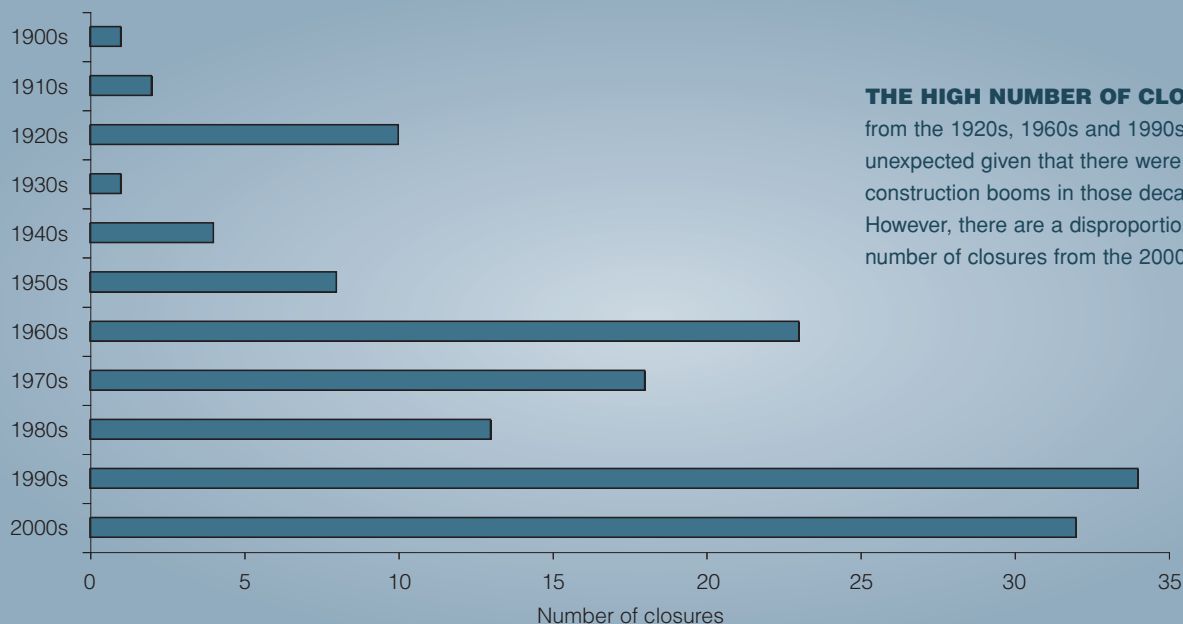
- Established 1904
- Daily fee 9-hole regulation with \$20 green fee

Newest closure:

Heritage Plantation Golf and Country Club, Laurel Hill, Florida

- Established April 1, 2008, and closed less than one year later

2009 Closures by Date of Establishment



Source: NGF



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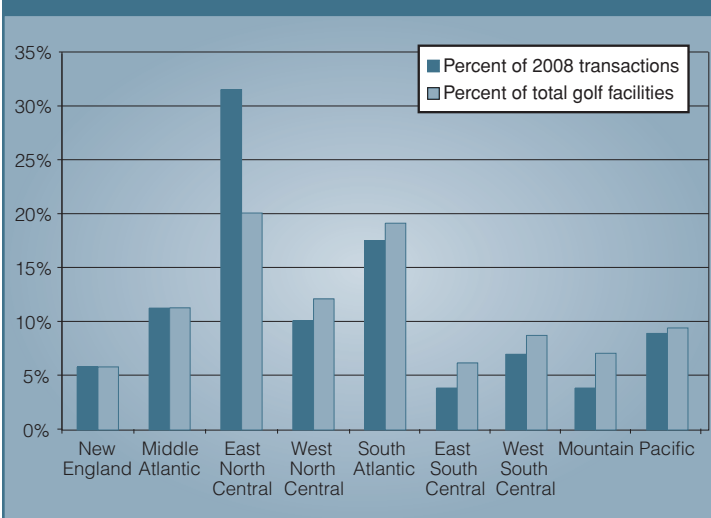
Golf Course Transactions

NGF HAS BEEN TRACKING golf course transactions for the past three years. During our normal facility verification process we ask whether the course has changed hands during the previous year. There were 142 verified transactions in 2007, 262 in 2008, but only 83 through the first six months of 2009. This suggests to us that there are fewer buyers at the moment, and that there is difficulty in obtaining financing.

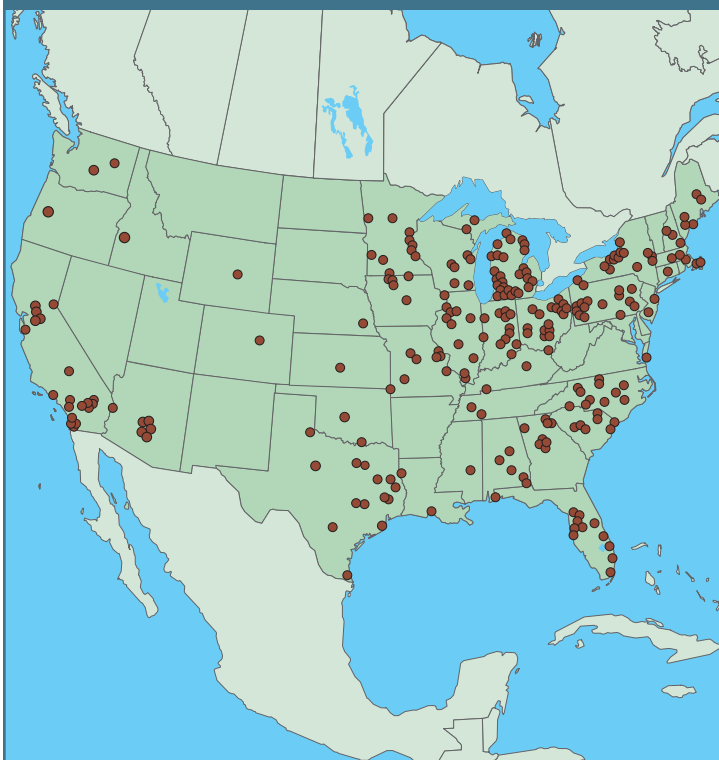
Looking at our last full year of data, transactions in 2008 were widespread, occurring in 38 states. They were disproportionately found in the East North Central region (Illinois, Indiana, Michigan, Ohio and Wisconsin).

Appraisers, brokers and others involved in the buying and selling of golf courses use NGF's golf course transaction database when researching comparable deals. Lists are available by contacting Kevin McLendon at 561-354-1646 or kmclendon@ngf.org.

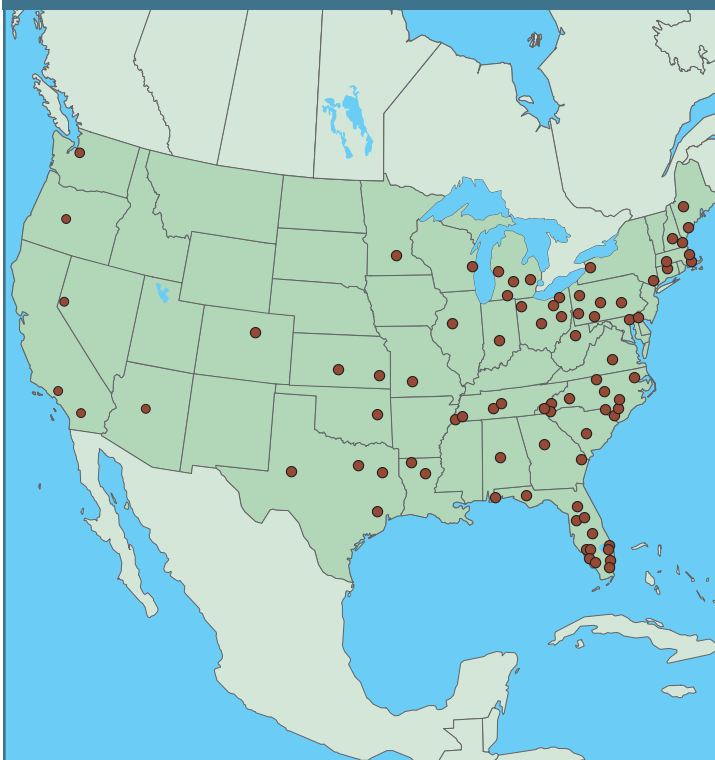
2008 Transactions vs. All Golf Facilities



2008 Transactions



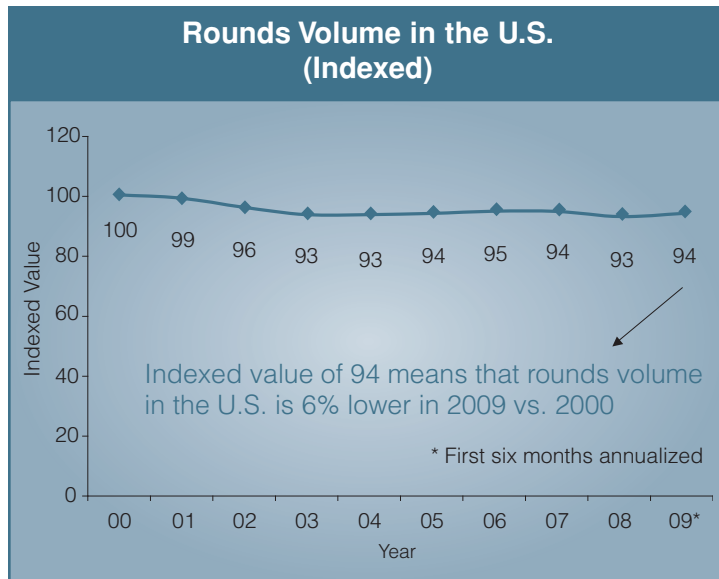
2009 Transactions (first half of year)



Source: NGF



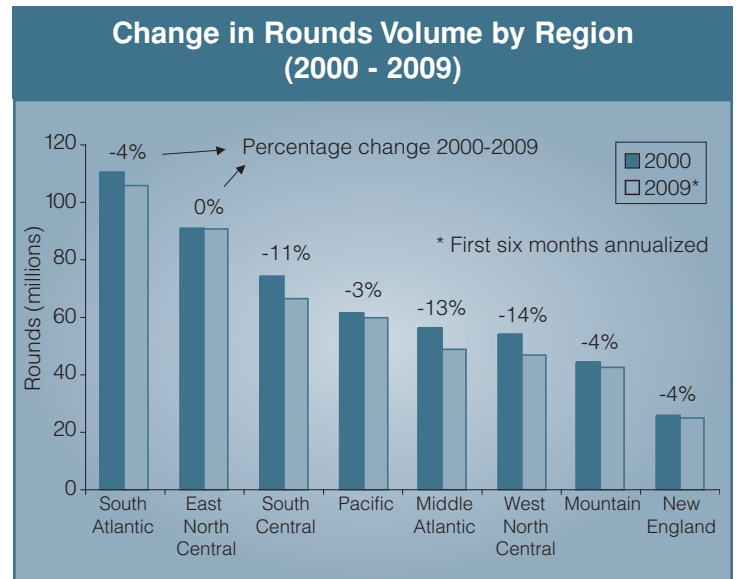
Rounds Played



Source: NGF/DataTech

NATIONAL –

The chart above shows the decline in rounds in the U.S. using an index, where the year 2000=100. Since 2000, there has been a decline of approximately 30 million rounds in the U.S., or 6%. That equates to a loss of 2,000 rounds per facility. As noted on page 3, operators could recapture some or all of these lost rounds in the coming years due to expected closures. An increase in rounds volume (from about 490 million today) would have to come from increased play from baby boomers as they retire (a possibility hurt by the recession) and/or player development.



Source: NGF/DataTech









REGIONAL –

The chart above shows how rounds have fared by region from 2000 to present. For example, rounds in the South Atlantic dropped from nearly 111 million to about 106 million, a decline of nearly five million, or 4%. New England also had a 4% drop, but given the region's fewer number of golf facilities, the decrease in rounds was only about one million.





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2 0 0 9 N G F B O A R D O F D I R E C T O R S							
<p>JIM CONNOR <i>President</i> FootJoy</p> <p></p>	<p>JEFF FIORINI <i>President</i> Golf Pride Grips</p> <p></p>	<p>JERRY HINCKLEY <i>National Sales Director</i> Textron Financial</p> <p></p>	<p>JOE BEDITZ <i>President</i> National Golf Foundation</p> <p></p>	<p>MIKE HAPPE <i>General Manager</i> The Toro Company</p> <p></p>	<p>MARK KING <i>President & CEO</i> TaylorMade-adidas</p> <p></p>	<p>BILL KNEES <i>Senior Vice President</i> Callaway Golf</p> <p></p>	<p>PAGE THOMPSON <i>President</i> Golf Channel</p> <p></p>
<p><i>These industry leaders ensure that NGF's members and clients are getting the best thinking in the game.</i></p>							

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